

Tender Management: Systematic Control of Awards in Industrial Procurement

Tender management refers to the structured process for preparing, conducting and evaluating tenders for materials, services and contract manufacturing in industrial procurement. It ensures that awards are transparent, comparable and competitive. For buyers and supply chain managers, it is a key instrument for cost reduction and supplier consolidation. The following article explains the definition, process, KPIs, risks and current developments.

Key facts

- Tender management covers the entire life cycle of an award from requirements clarification to contract award.
- Clean documentation such as a requirement specification, bill of quantities and defined delivery terms are prerequisites for reliable comparisons.
- E-sourcing platforms significantly shorten lead times and increase the comparability of bids.
- Typical metrics are savings rate, bid coverage rate and time per tender.
- For matters relevant to procurement law, thresholds and documentation obligations must be examined case by case.
- The quality of the tender largely determines the subsequent supplier and contract quality.

Definition: tender management

Tender management is the methodical control of all activities surrounding the sourcing tender (Request for Quotation, RFQ, or Request for Proposal, RFP). It covers requirements clarification, preparation of tender documentation, supplier selection, bid administration, evaluation and the award decision.

Distinction from RFQ and RFP

An RFQ is typically aimed at standardised products with clearly specified requirements, such as drawing parts or catalogue material. An RFP or Request for Information (RFI), by contrast, serves to bundle services and generate ideas for more complex deliverables, such as development services or plant construction. Tender management places these instruments within an overarching process: it decides which instrument fits which requirement and manages the transitions between stages. In practice, complex tenders often begin with market research via an RFI before a binding RFQ follows.

- RFI: market research without obligation
- RFQ: binding price request with specification
- RFP: solution and service proposal with evaluation against a criteria catalogue

Legal framework

In the private sector, freedom of contract applies in principle; public sector bodies, by contrast, are subject to procurement law with thresholds, formal requirements and review risks. However, even private-sector tenders create legal effects: pre-contractual liability risks relating to confidential

information, binding bid deadlines and warranty claims arising from the later contracts. Buyers should therefore anchor provisions on the binding period, withdrawal and reservations for in-house production uniformly in the tender documents. Tax details, such as VAT or delivery place rules, must be clarified on a case-by-case basis with the tax department or external advisers.

- Define the bid binding period
- Include confidentiality and data protection clauses
- Define the legal consequence of late or incomplete bids

Methods and approach in tender management

Effective tender management follows a standardised phase model. Clear responsibilities, templates and schedules make the process repeatable and continuously reduce the effort per tender.

Preparation and specification

The starting point is requirements management: the functional requirement is documented as a requirement specification or technical specification, supplemented by quantities, delivery times and packaging requirements. Material classification helps to consolidate comparable requirements and determine the right tender volume. For new parts, drawings, standard parts lists and test specifications are required; for contract manufacturing, a clean routing plan with machine sizes and material specifications. The more precise the documentation, the lower the spread of bids and the lower the risk of subsequent claims.

- Review bill of quantities and parts lists
- Define quality requirements and inspection plans
- Fix Incoterms and packaging requirements

Supplier selection and request

The selection of suppliers to be invited is made via the sourcing pipeline and internal supplier evaluations. In practice, three to five participants per lot have proven effective: enough competition for market-appropriate prices without increasing quality risks or processing effort. Supplier master data maintenance ensures that contact, certification and payment data are up to date. For international suppliers, customs and preference issues may be relevant; a correct HS classification of the goods facilitates subsequent import and the cost presentation in the bid.

- Derive the bidder list from supplier evaluations and market knowledge
- Communicate tender conditions, deadlines and evaluation criteria
- Answer queries in a consolidated Q&A process

Bid evaluation and award

The evaluation should follow criteria defined in advance, often as a utility value analysis with weightings for price, delivery performance, quality and sustainability. Bid evaluation stages standardise the procedure: from automatic pre-check (complete, timely, arithmetically correct) through commercial assessment to technical evaluation by specialist departments. Alongside unit price, total cost of ownership and the offered delivery time spread deserve attention, as both significantly shape subsequent supply.

- Establish a price corridor and target price as a reference in advance
- Clarify deviations requiring explanation via clarifications

- Document the award decision and justify the lot decision

Key KPIs in tender management

KPIs make the impact of tender management visible and reveal weaknesses in the process. They should be analysed by category and requirement type, not only as a company-wide average.

Economic metrics

The savings rate typically describes the difference between the reference price (prior-year price, target price or best initial bid) and the awarded price. The bid coverage rate indicates what proportion of the tendered volume actually received bids; low values signal unattractive lots or bidder lists that are too narrow. Also informative: the number of bids per tender, the price spread between bidders as a market indicator, and the proportion of award-ready lots that could not be awarded after the deadline closed.

- Savings rate by category and supplier
- Bid coverage rate per tender
- Price spread as a measure of market price risks

Process and quality metrics

The time from requisition to award (lead time) shows how lean the process is. The bidders' adherence to deadlines and the later performance of the award decision – such as on-time delivery, backorder rate or payment term adherence of the new suppliers – close the loop. Those who systematically link tender and delivery metrics recognise early whether price advantages were bought with lateral risks. Regular analyses also serve as an argumentation basis vis-à-vis management for further process automation.

- Lead time by tender type
- Proportion of timely and complete bids
- Trailing metrics: on-time delivery and complaint rate of the award

Risks and controls in tender management

Tenders carry economic, technical and compliance risks. Without systematic controls, there is a threat of false savings, quality problems and dependencies on individual suppliers.

Economic and technical risks

Aggressive initial bids may be based on aggressive calculation assumptions; price adjustment clauses or subsequent change requests later embellish the savings. Technical risks arise when bidders interpret specifications differently or propose material substitutions unprompted. Countermeasures are clearly defined specifications, an obligation to raise queries in case of ambiguity, and sample parts or initial sampling before series award. Safety capacity should also be considered: awarding to a single supplier lowers the price but increases the risk of failure in the event of supply bottlenecks.

- Binding specifications instead of vulnerable reference texts
- Agree sample acceptance before release for series production
- Consider a second source or safety capacity in the contract

Compliance and internal controls

A four-eyes principle for award decisions, documented evaluation methodologies and separated roles (requester, evaluator, awarder) reduce the risk of manipulation. Confidential information such as target

prices or competitive data must not be made unilaterally accessible to bidders. Supplier certificates, such as quality or environmental management systems, must be verified before award; where customs and export relevance exists, authorisations such as AEO at the supplier can be an indicator of process reliability. Award documentation later serves as evidence in audits, complaints or warranty claims.

- Four-eyes principle and documented evaluation
- Uniform bidder information, no favouritism
- Verify certificates and authorisations before award

Current developments in tender management

Digitalisation, sustainability requirements and more volatile sourcing markets are significantly changing tender management. Classic procedures are being supplemented by tools and new requirement scenarios.

E-sourcing and automation

E-sourcing platforms digitise the entire cycle: templates for tender documents, online submission of bids, automatic pre-evaluation and audit trail. Reverse auctions are suitable for standardised, specification-driven products, but are of limited use for development services or contract manufacturing with high switching costs. AI support is increasingly helping to prepare specifications and match requirements to potential suppliers. What remains important: the evaluation remains the buyer's responsibility; automation does not replace the award decision.

- Standardised templates and criteria catalogues
- Online bid submission with logging
- Use reverse auctions selectively for standardisable lots

Sustainability and resilience

Sustainability requirements are increasingly moving into evaluation criteria, such as material origin, recyclability or CO2 data of the supply chain. For packaging, the sustainable product group packaging is often the subject of its own tenders, with requirements regarding take-back and recycling obligations relevant under WEEE for electrical products. At the same time, the focus is shifting from pure price competition towards resilience: multi-source strategies, framework agreements with adjustment mechanisms and a well-maintained framework delivery schedule secure supply even during market downturns. Agile procurement influences tender management in development projects, where short iterations rather than a one-off large award can make sense.

- Sustainability criteria with defined weightings
- Multi-stage award instead of single sourcing for critical parts
- Combination of framework agreement and rolling framework delivery schedule

Typical metrics

Savings rate: typically 3–10 % per award

Measured against the reference price (prior-year or target price), analysed by category.

Bid coverage rate: > 90 %

Proportion of the tendered volume covered by bids received.

Lead time: typically 2–4 weeks

From requisition to award decision, depending on complexity.

Bids per tender: typically 3–5

Indicator of competitive intensity and bidder list quality.

Practical example

A mid-sized mechanical engineering company with around 500 employees previously awarded purchased parts on an ad hoc basis via telephone price enquiries. A central buyer introduced structured tender management with standardised RFQ templates and semi-annual consolidated tenders. Within the first two cycles, the team consolidated around 60 per cent of the volume with four core suppliers and improved the bid coverage rate from roughly 60 to over 90 per cent. At the same time, the average lead time fell from four to around two weeks.

- Standardised RFQ template with technical annex, price schedule and evaluation criteria
- Consolidation of requirements by material class via material classification
- Definition of bid evaluation stages with a four-eyes principle for the award
- Tracking of supplier performance via on-time delivery and backorder rate

Conclusion

Tender management is far more than sending out price enquiries: it combines requirements clarification, supplier selection, evaluation and award into a manageable, measurable process. The quality of the documentation determines the meaningfulness of the bids; the systematic approach of the evaluation determines the lasting cost and risk impact. Digitalisation noticeably reduces processing effort but does not replace professional judgement and documented decisions. Those who consistently analyse KPIs and feed insights back into new tenders improve price, quality and security of supply simultaneously. For industrial buyers, it is therefore one of the most powerful steering instruments in sourcing.

Frequently asked questions

What is tender management in procurement?

Tender management is the structured control of the entire award process, from requirements clarification and preparation of the documentation through supplier selection to bid evaluation and the award decision. It ensures transparency, comparability and competition. Typical instruments are RFQ, RFP and e-sourcing platforms.

What belongs in an industrial procurement tender?

Core components are a precise technical specification or drawing, a bill of quantities, required quality and test evidence, delivery terms (Incoterms, packaging), payment terms, bid deadline and binding period. In addition, a uniform price schedule and a statement of the evaluation criteria are recommended. The more complete the documentation, the lower the spread and the risk of subsequent claims.

How many suppliers should be included in a tender?

In practice, three to five bidders per lot have typically proven effective. For very critical or confidential requirements there may be fewer; for highly standardised goods, more. What matters is that the bidders are capable and that competition is real – the quality of the bidder list beats its length.

What is the difference between RFQ and RFP?

An RFQ (Request for Quotation) requests binding prices for clearly specified services and allows direct price comparison. An RFP (Request for Proposal) solicits solution proposals with technical and commercial concepts and is evaluated against a catalogue of criteria. Tender management selects the appropriate instrument depending on complexity and degree of specification.

How do you measure the success of tenders?

Typical metrics are the savings rate compared with reference prices, the bid coverage rate, the number of complete and timely bids and the lead time to award. In addition, trailing metrics such as on-time delivery, complaint rate or backorder rate of the awarded suppliers should be reviewed to identify false savings.

Do private companies also have to observe procurement rules?

Formal procurement law primarily applies to public sector bodies and, within certain limits, their contractors. Private companies are fundamentally free to contract, but they create legal effects through tender documentation, for example through bid binding periods, confidentiality obligations and subsequent warranty claims. The specific design should be reviewed legally on a case-by-case basis; for public awards this is mandatory.